

SENATOR WICKERSHAM: I think that the proposal that is contained in 505 is actuarially sound.

SENATOR BEUTLER: Then why do we need to change it to 3 percent? Can't we just leave the language "actuarially sound"?

SENATOR WICKERSHAM: Senator, I'm afraid I'm missing your point. The...

SENATOR BEUTLER: Well, if in fact reducing to 3 percent is actuarially sound, then why do we need to change the language that says that it should be 3 percent? Why can't we just leave the current language in...

SENATOR WICKERSHAM: I...oh...

SENATOR BEUTLER: ...which talks about the actuarial equivalent?

SENATOR WICKERSHAM: Well, an actuarial equivalent and actuarially sound are actually two different things. As I might indicate to you whether or not a proposal is actuarially sound is dependent on what its cost is and whether you have adequately provided for that cost. As long as you have both elements, the cost and the provision for meeting that cost, it is actuarially sound. An actuarial equivalent is quite a different concept. The actuarial equivalent has to do with discounted, typically discounted streams of either income or disbursements.

SENATOR BEUTLER: And why would there be a difference between 6 and 3 percent in this particular instance?

SENATOR WICKERSHAM: Excuse me?

SENATOR BEUTLER: Why would there be the...how...explain to me how it would happen that the amount reduced would change from 6 to 3 percent and why it should change from 6 to 3 percent.

SENATOR WICKERSHAM: I think, Senator, that has to do with projected life expectancies and would involve the discounting that occurs because the longer the stream of payments that would be made, the greater the discount that would be necessary in order to provide the same discounted value.

SENATOR HALL: One minute.